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EXECUTIVE SUMMARY

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(6) DEPARTMENT OF DEFENSE

ANNUAL REPORT

FISCAL YEAR 1981

Executive Summary

(10) HAROLD L BROWN

SECRETARY OF DEFENSE

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THE CONDITIONS OF SECURITY

The battle, sir, is not to the strong alone; it is to the vigilant, the active, the brave.

Patrick Henry, 1775

I think the necessity of being ready increases. --Look to it.

Abraham Lincoln, 1861

You cannot ask us to take sides against arithmetic. You cannot ask us to take sides against the obvious facts of the situation.

Winston S. Churchill, 1926

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Mr. Chairman and Members of the Committee:

I welcome this opportunity to present the details of President Carter's third defense budget. As in past years, I will summarize the budget request and give an overview of my annual defense report, which has been submitted to you.

I. THE FY 1981 DEFENSE BUDGET

The President's defense budget for FY 1981 proposes Total Obligational Authority (TOA) of \$158.7 billion and Budget Authority (BA) of \$158.2 billion. Outlays for FY 1981 will be \$142.7 billion, 3.3 percent higher in real terms than they will have been in FY 1980. The TOA is up by 5.4 percent in real terms, higher than the growth in outlays because TOA in recent years has been increasing much more slowly than outlays. More important, the Carter Administration has concluded that the defense program must be substantially increased over the next five years, and that we must begin the effort now.

The real annual increases in outlays will continue at an accelerating rate as we proceed with the buildup; they will exceed four percent in the out-years. The annual rate of growth in TOA will vary between 4.8 and 4.2 percent between FY 1982 and FY 1985.

All of these rates of growth, I should add, are measured from an FY 1980 TOA which, with the supplemental we are submitting, will amount to \$139.3 billion.

The programmed rates of growth are needed for two basic reasons. The first is the sustained expansion in the Soviet defense effort, an effort that has been going on for at least 20 years. If we do not respond over the coming years by increasing our own, we will condemn the United States to an inferior military position. The second reason is the growth in international turbulence, illustrated by recent developments in the Caribbean, Southeast Asia, Korea, Afghanistan, and Iran. We will need more resources than we had previously programmed so that our defense posture can cope with the simultaneous demands that we can expect in the future, exemplified and indeed created by these developments.

It should be noted that the percentage of our GNP devoted to defense has fallen from 8.6 percent to 5.0 percent since 1962. The current increase in defense program and spending will be accomplished without raising that percentage to much above five percent. In fact, each increase in real defense spending by one percent more than GNP growth raises the defense percentage of GNP by slightly less than a twentieth of one percent. Thus, if real GNP increases by two percent and real defense spending by four percent, the defense fraction of GNP rises by less than a tenth of one percent.

This year's Five-Year Defense Program projects a substantial increase in real defense resources over the next five years, as compared with last year's FYDP. This does not reflect

a single sudden change in the world situation, or a sudden conversion on the part of the Administration. It is an example of executive leadership by President Carter in responding to the adverse trends in the military balance, and to increased dangers to U.S. interests in several parts of the world, reflected most recently in Iran and Afghanistan. These developments did not happen suddenly during 1979; they have been apparent as trends for several years. It was to respond to them that the increased defense budgets of the last two years, the three percent NATO commitment, and the parallel tracks of military strength and arms control have been pursued by this Administration. During the past year, we have reevaluated our needs and concluded we need more military capabilities of particular kinds, and need to ensure that we obtain them despite the uncertainties about inflation rates and despite the differences over program detail that we sometimes have with the Congress. During this same year, public perceptions of our needs have begun to catch up with the facts. A new consensus is forming around the President's leadership.

II. THE SOVIET UNION

In 1979, the Soviet military effort was about 50 percent larger than our own, measured by what it would cost to buy Soviet programs (including personnel) in the U.S. economy. We now estimate that the Soviets are using somewhere between 11 and 14 percent of their Gross National Product for defense purposes, compared with our five percent (of a U.S. GNP nearly twice as large).

The difference between Soviet and U.S. investments in military goods (R&D, procurement, and military construction) is even larger. In the past decade, Soviet investment has been cumulatively about 27 percent larger than ours. In 1979 alone, it was probably greater by 85 percent. The consequences of that investment are now becoming evident.

In strategic nuclear forces, the Soviets have come from a position of substantial numerical inferiority 15 years ago to one of parity today--and a potential for strategic advantage if we fail to respond with adequate programs of our own. Their forces have improved in quality as well as in numbers. They have deployed two new generations of ICBMs and SLBMs, and are working on a further generation--each generation being of increased sophistication and capability. Of greatest concern, they have deployed highly accurate, MIRVed ICBMs with the potential of threatening the survivability of our ICBM silos.

In addition to this buildup in their central strategic systems, the Soviets have modernized both their intermediate-range and their tactical nuclear forces. The MIRVed and mobile SS-20 ballistic missile and the BACKFIRE bomber are the most disturbing components of this ambitious program.

At the same time, Soviet ground and tactical air forces in Eastern Europe are excessively large and much too offensively oriented to serve primarily as a counterweight to NATO capabilities, let alone as occupation troops. Similarly, Soviet forces in the Far East are geographically positioned, exercised, and

apparently designed for offensive operations. I should note, however, that many of the divisions in the Far East are less than fully combat-ready.

Some components of the increasingly modern Soviet navy are intended for the direct defense of the USSR. Other parts are designed for anti-submarine warfare and the interdiction of the major sea lanes. Still other parts are clearly intended for the long-range projection of Soviet military power. The Soviets have consistently sought to use air and naval facilities overseas, and they have expanded their capability for long-range sealift and airlift as well. There has been recent evidence that they intend to use their airborne divisions for power projection--in the Arab-Israeli October war of 1973 and in Afghanistan in 1979-80.

Although the Soviets have shown little restraint in their defense decisions, they have been willing to negotiate arms control agreements that promote strategic stability. SALT II is just such an agreement. It serves our national security interest--even more so when the Soviets are aggressive--but the timing of its ratification must defer to the urgent need that we assess and respond to Soviet actions in Afghanistan.

SALT II remains in our interest for five basic reasons:

- It will actually reduce the strategic forces of the Soviet Union and put a ceiling on the future strategic forces of both superpowers.

- It will impose important qualitative constraints on the strategic competition. In particular, it will constrain Soviet ICBM fractionation and the number of their MIRVed ICBM launchers, where their present momentum would otherwise give them much larger numbers during the period of the Treaty.
- It will bring greater predictability to the nuclear relationship between the two sides, and thereby facilitate our own defense planning.
- We will be better able to monitor Soviet strategic forces with the treaty than without it.
- We can continue the programs we need for our own strategic forces and for our allies under the treaty, but our efforts will cost billions less than would be likely without the treaty.

SALT II, in short, will increase our security and help to reduce one of our major defense problems.

III. INTERNATIONAL TURBULENCE

Largely for economic reasons, the United States has become heavily involved outside its traditional areas of concern in Europe, Latin America, and the Far East. Some of these areas are now suffering increased turbulence from within as well as from the intervention of the Soviet Union.

Nowhere is this more the case than in the Middle East. The region has become a breeding ground for internal upheaval--as has already occurred in Iran--for war, terrorism, and subversion. Temporary disruptions or a more permanent decline in the supply of oil from the Persian Gulf could easily occur as a consequence. The Soviet invasion of Afghanistan, its footholds in South Yemen and the Horn of Africa, and the Soviet naval presence in the Red Sea and the Indian Ocean, only make a volatile situation potentially even more explosive.

Africa has become a major source of oil and other minerals for our economy. The main oil routes from the Persian Gulf to Europe and America run along its coasts. Yet internal strife wracks parts of the continent, and there is a continuing danger of more to come. Existing conflicts have already been exacerbated by a Cuban expeditionary force of perhaps 36,000 men in two principal areas, by Soviet military assistance to the more radical factions and regimes in the area, and by the presence of Soviet and East European advisers. These conflicts may be settled short of critical damage to our economic and other ties, but we cannot count on it.

Cuba has already shown its willingness to exploit the forces of change in the Caribbean for its own ends. The grave dangers associated with further subversion should persuade Havana and Moscow that non-intervention is in order. But there is no certainty that they will see the virtues of restraint.

At the same time, we have to allow for the possibility that the tragic conflict between Communist states in Southeast Asia will spill over into Thailand. And we must still take precautions against the substantial expansion in the armed forces of North Korea that has been going on during the last decade.

As a result of these developments, our defense establishment could be faced with an almost unprecedented number of demands. And some of those demands could arise more or less simultaneously. To meet them, we must solve a number of immediate and longer-term problems.

IV. THE STRATEGIC NUCLEAR PROBLEM

We have recognized for many years that our strategic nuclear capabilities could deter only a small number of contingencies. But there can be no doubt that these capabilities still provide the foundation on which our security rests. Without them, the Soviet Union could threaten the extinction of the United States and its allies. With them, our other forces become meaningful instruments of military and political power.

With the growth of Soviet strategic capabilities, we have concluded that credible deterrence depends on our ability:

- first, to maintain the second-strike forces necessary to attack a comprehensive set of targets, including targets of political and military as well as of economic value;
- second, to withhold retaliation against selected targets;
- third, to cover at all times a sizeable percentage of the Soviet economic base, so that these targets could be destroyed, if necessary; and fourth,
- to hold the elements of a reserve force for a substantial period after a strategic exchange.

Such a capability and such flexibility should enable us to prevent an enemy from achieving any meaningful advantage. To assure those features and to assure maintenance of our confidence in the deterrent, despite possible attempts to destroy its components or defend against them, we also maintain a TRIAD of strategic offensive forces with ICBMs, submarine-launched ballistic missiles, and bombers.

The Soviets are attempting to undermine that confidence by deploying a threat to our ICBMs. That threat is only now beginning to become a reality. But within another year or two, we can expect the Soviets to have the necessary combination of ICBM reliability, numbers, warhead yields, and accuracies to put most of our MINUTEMAN and TITAN silos at risk.

The hypothetical ability of the Soviets to destroy even 90 percent or more of our ICBM warheads is not the same thing as a disarming first strike nor even, by itself, a major Soviet military advantage--though, if we do not respond, it will create perceptual problems. By itself, it does not mean an increased probability of a Soviet surprise attack. But it does mean that a significant part of the TRIAD would be eroded, and that the Soviets would be encouraged to undermine the rest of it.

Accordingly, we will proceed with the development of the mobile MX so as to restore the survivability of the ICBM leg of the TRIAD. At the same time, we will continue to modernize the other two legs of the TRIAD. Providing that we do, the Soviets, even in the most desperate of circumstances, should not have any incentive to launch a nuclear attack on the United States or its strategic forces.

V. THE THEATER NUCLEAR PROBLEM

Even with these programs, we will not have overcome all our nuclear problems. The Soviets have already undertaken a major modernization of their theater nuclear forces. In particular,

they have introduced the SS-20, a MIRVed and mobile intermediate-range ballistic missile (IRBM), and the BACKFIRE, a medium bomber.

With these new and more accurate weapons, the Soviets might make the mistaken judgment that they could threaten our allies without fear of retaliatory attacks on their territory, especially if they did not threaten to attack U.S. forces or territory. To avoid any such error of perception, we are proceeding with the development of two land-based, longer range, mobile missiles: the PERSHING II and the Ground-Launched Cruise Missile (GLCM). In accord with the NATO Ministerial decision of last December 12, we will deploy them in Great Britain and on the European continent.

We do not plan to match the Soviet program system by system or warhead by warhead, which might be construed as an attempt to create a European nuclear balance separate from the overall strategic relationship--and thus as risking "decoupling." Instead, we seek to strengthen the linkage of U.S. strategic forces to the defense of Europe. In parallel, modernization of the long-range theater nuclear forces will provide a firm foundation for the pursuit of serious arms control negotiations on this subject with the Soviet Union. The United States is prepared to undertake such negotiations within the framework of SALT III.

VI. THE NON-NUCLEAR PROBLEM

The scope of our conventional force problems--and the requirements for the corresponding forces--are more complex because we must deal not only with the Soviet Union, but also with all the other manifestations of international turbulence. Ever since 1969, we have defined non-nuclear adequacy as the capability to deal simultaneously with one major and one minor contingency in conjunction with our allies. In order to achieve the necessary capability, we have depended primarily on our allies to man the forward defense lines in peacetime. This, in turn, has permitted us to organize a centrally located reinforcement capability of ground and tactical air forces, naval forces for sea control and power projection, and a backup capability of National Guard and Reserve forces. To move the forces, we have relied on airlift and sealift. By using materiel prepositioned overseas in theaters where the probability of conflict is significant, attacks with little warning a danger, and the consequences of conflict most severe, we save on lift and increase reinforcement rates enormously.

Although, during the past decade, we never acquired all the readiness and mobility required by this strategy, we were not penalized for it because our potential enemies were relatively sluggish, and we were not put to the test by contingencies outside of Southeast Asia. But now times are changing. Without reducing the large forces stationed in Eastern Europe, the

Soviets have tripled the size of their forces in the Far East, and they are developing naval and other capabilities that will permit them to operate well beyond the periphery of the USSR. Their posture, overall, has grown more modern, and parts of it have reached a high state of combat readiness. We no longer can preclude their being able to operate simultaneously in several different parts of the world. Thanks largely to their assistance, lesser Communist powers such as North Korea, Vietnam, and Cuba--and some non-Communist ones such as Iraq--also have acquired relatively modern capabilities. These developments, combined with a number of internal and international disputes in areas of great interest to the United States, are beginning to put heavy pressure on our non-nuclear posture.

In Eastern Europe, the Soviets are improving their ability to launch heavy attacks against NATO with little advance preparation and warning. In Asia, the Vietnamese occupation of Cambodia poses a threat to Thailand's security and contains the seeds of great power confrontation. The long-term North Korean military buildup, and the political turmoil in South Korea inevitably raise doubts about the future stability of the Korean peninsula.

We have responded to the threat in Europe with the NATO-wide Long-Term Defense Program (LTDP) which includes a major U.S. effort to expand the size and pace of its ground and tactical air deployments to Europe. At the same time, the

situation in Asia has caused us first to stabilize our deployments there, and then to increase them somewhat.

Our current force structure--and I emphasize force structure--is sufficient for both these purposes. But the deployments in Europe and the Western Pacific, combined with the strategic reserve we hold in the CONUS (Continental United States) for the reinforcement of our forward-based forces, absorb the bulk of our non-nuclear capabilities. Moreover, even if contingencies in Europe and North Asia were our only concern, the modernization of Soviet forces in Eastern Europe and the North Korean buildup would have required substantial increases in our defense budget. Indeed, they had already led us to pledge to our NATO allies, and program real increments of three percent a year in our defense outlays. Now, however, we have to allow for the dangers that could arise in the Middle East, the Caribbean, and elsewhere, as well as for the continued Soviet buildup.

At present, we cannot foresee clearcut and plausible contingencies in these regions on the basis of which we should plan and program major increases in our non-nuclear force structure. There remains still a great deal we can do to get more combat capability out of the forces we already have in hand. But the necessary actions, while not spectacular, will be expensive. We need to increase the speed with which we can deploy our forces--through increased airlift and sealift capabilities, through the further prepositioning of materiel,

and through the assurance of transit and basing rights in emergencies. We need to modernize the equipment of our ground and air forces. And we need to expand our naval construction program to assure the future offensive and defensive capabilities of our naval forces.

Assuming our allies in Europe and Asia continue to join with us in increasing their defense efforts, their forces--in conjunction with ours--should provide a solid foundation for deterrence in these two vital theaters. I myself would prefer to see the allies provide themselves with a greater margin of safety in Europe, and I remain concerned about the situation on the NATO flanks. As a consequence, we are considering plans to preposition additional equipment in the vicinity of the northern flank, and we will continue to commit elements of our ground and tactical air in the defense of both flanks, as necessary. Exercises to test these capabilities on the flanks have been augmented.

In Central Europe, NATO will be much more nearly in balance with the Warsaw Pact within the next few years, provided that the allies proceed with their modernization and our programs for the rapid deployment of reinforcements are brought to fruition. However, even with these improvements, NATO will not have as high a level of confidence as I would like of containing a large attack by the Pact launched with little preparation and warning. I should add that the Soviets could not have high confidence of

a breakthrough either--on the assumption that U.S. reinforcements would arrive on time and could sustain themselves adequately in combat.

In Asia, the growth in North Korean capabilities remains a matter of deep concern. However, I do not see why the combination of strong South Korean forces, extensive fortifications, and deployed U.S. capabilities cannot frustrate a North Korean attack--provided that we are able to reinforce our deployed capabilities with considerable speed.

To deal with other contingencies, we have already designated specific units as components of our Rapid Deployment Forces (RDF). These forces exist, and need not be increased; they include units of all the Services. The composition of the forces deployed will vary depending on the nature and location of the crisis. But these units will not be able to respond adequately to the demands that may be placed on them unless we are able to improve their combat readiness and alert status, and particularly unless we can move them in force and with great rapidity to an area of crisis.

Conflict in one or more of these theaters would place heavy burdens on our Navy general purpose forces, since we would need to use the sea lanes extensively after only a few days or weeks for the reinforcement and support of our combat units overseas. Accordingly, sea control--followed or accompanied by power projection--could occupy the Navy on virtually a worldwide basis.

Our current general purpose naval forces should be able to hold Soviet surface combatants north of the Greenland-Iceland-United Kingdom (GIUK) line in the North Atlantic, subject Soviet submarines and older aircraft to significant attrition if they should attempt to come south of that line, and provide close-in protection to capital ships and, in conjunction with allies, to convoys. U.S. and other allied forces should also be able to establish the necessary control of the Mediterranean and close down the main exits from the Sea of Okhotsk and the Sea of Japan into the Pacific. The Navy would concentrate forces for offensive battle group operations in higher threat areas as well.

Under these conditions, we would expect essential supplies to get through. However, with the appearance of the BACKFIRE bomber in increasing numbers, Soviet naval aviation could come to be a bigger threat to our sea lines of communication and naval forces than Soviet submarines. Although we have AEGIS ships under construction to counter this growing threat, we still lack sufficient defenses against massed missile and bomber attacks on convoys and battle groups.

VII. THE PROGRAMS

It should be evident from this review of our problems that we need to make major improvements in our defense posture over and above those we have already programmed. The difficulties do not lie so much with our future strategic nuclear posture; provided the SALT II treaty is ratified we already have sufficient

programs well underway to deal with our vulnerabilities -- including MX, TRIDENT, and cruise missiles. In the absence of SALT, however, we will have to do more. And whatever the outcome of SALT II, we need to shore up our theater nuclear posture in Europe with GLCM and PERSHING II, which will not be cheap. Most important of all, we must increase the deployment, modernization, readiness, mobility, and sustainability of our non-nuclear forces. This must be done as part of our alliance strategies in Europe and Northeast Asia--and with our allies there carrying an increasing share of the burden. In other parts of the world, the military capabilities of those countries threatened by Soviet-supported external attack must be strengthened. At least as important, their own internal stability must be enhanced by economic and political means. And, to assure the U.S. capability to offset Soviet intervention, our own rapid deployment capability must be improved.

We have already expanded slightly the size of our naval Middle East Task Force which operates in the vicinity of the Persian Gulf, and the Navy has increased the number of ship-days it is spending in the Indian Ocean. We plan to increase that presence at sea, and to improve our ability to deploy and sustain land-based forces as well. A Rapid Deployment Joint Task Force Headquarters (JTF) comprising personnel from all four Services, has been established at Readiness Command in Florida, with a small element in Washington. Its first commander,

appointed in December, 1979, is a Marine Corps lieutenant general. Its function is to do contingency planning for areas where there are few or no U.S. forces permanently stationed. If one of the contingencies should occur, the previously planned forces would be assigned to the JTF, and deployed--with the JTF commander assuming operational command. At the President's direction, we have also established a permanent, full-time Caribbean Joint Task Force Headquarters at Key West, Florida, begun the expansion of our military exercises in the Caribbean region, increased the surveillance of Cuba, and taken other measures to assure that, in the President's words, "no Soviet unit in Cuba can be used as a combat force to threaten the security of the United States or any other nation in this hemisphere."

At present, we appear to have enough divisions and tactical air wings to meet current international demands, even if those demands should include more or less simultaneous crises in Europe and the Persian Gulf, or Korea. However, we need to improve the capability and deployability of our ground and air forces. To strengthen those units oriented to Europe, we are modernizing the Army's weapons and equipment by adding armor, firepower, and tactical mobility. We are also prepositioning more heavy equipment in Europe so that we can rapidly reinforce our ground units there. In a crisis, virtually all we would have to move to NATO's Central Region would be the men. Their equipment would be waiting for them.

We are also improving our tactical air forces by programming about 1,700 new aircraft over the next five years. At the same time, we are accelerating the rate at which we can move fighters quickly to Europe to cope with any surprise attack. And we are increasing the number of shelters at airbases there so as to prevent our aircraft from being destroyed on the ground by enemy attacks.

As we have seen recently, crises can arise outside of Europe. To help us cope with worldwide demands, we are launching two other major initiatives. The first will lead to a force of Maritime Prepositioning Ships which will carry in dehumidified storage the heavy equipment and supplies for three Marine brigades. During peacetime, these ships will be stationed in waters near areas where U.S. forces might be needed. Though not designed for the Marines' traditional mission of amphibious assault landings against enemy opposition (a capability we will continue to maintain with other ships), they will be able to debark their equipment over the beach if no port is available. Marine Corps personnel (and equipment not well suited to storage) will, as necessary, be airlifted to the vicinity of the ships, where they will marry up with their gear and be ready for combat on short notice. Thus the Maritime Prepositioning Ships will enable us rapidly to deploy armored and mobile forces outside of Europe.

The other major initiative entails the development and production of a new fleet of large cargo aircraft able to carry

Army equipment, including tanks, over intercontinental distances. This will greatly expand our outsize airlift capacity worldwide. As one example, these aircraft could be used initially to deliver the largest equipment of the advance forces sent to secure airbases near the ports or beaches needed by the Maritime Prepositioning Ships to deliver their heavy gear. They would enable us to make simultaneous deployments to Europe and elsewhere, should the crises be concurrent (as is quite likely). After this initial phase, they would assist in additional force deployments, resupply, and intra-theater movements if needed.

As I noted in my review, our non-NATO needs center not so much on additional combat forces as on our ability to move suitably trained and equipped forces over great distances quickly enough so that they can be of real use at the point of crisis. In some cases, their arrival might turn the tide of battle; in other cases--we would hope in most cases--they would deter the outbreak of fighting in the first place.

We have, in addition, the special problems of the Navy. I believe we can meet the future demands for sea control and power projection--and hence for presence--with a force of about 550 active and reserve ships (if they are of the right kind), about the size of the fleet we will have by 1984. However, we must deal with the growing BACKFIRE threat and the continued aging of our surface combatants and supply ships. To do so, we are programming the construction of 97 new ships over the next

five years. Within that total we will be placing a relatively heavy emphasis on new guided missile AEGIS ships to defend against aerodynamic attacks. I should note, however, that such ships though necessary, are expensive. They challenge our ability to build and maintain as large a fleet as we need. To cope with that challenge, our program includes three new ship designs that will assure adequate fleet size and fighting power at reasonable cost. One will be a major fleet escort, another an anti-submarine frigate, and the third a nuclear-powered attack submarine.

We have made progress in raising the combat skills of our military personnel during the last three years, and I do not foresee any major problem in that area--unless rapidly rising fuel costs force us to reduce flying hours and steaming days below current levels. However, we continue to have problems with materiel readiness, in part because of the advanced equipment coming into the forces. Increasingly capable military forces need increasing levels of support. Such support is particularly important for units that we may want to deploy and operate on short notice. Accordingly, funds for operation and maintenance receive important emphasis from the Department of Defense--and deserve full support from the Congress.

How much combat sustaining capability we should keep on hand is one of the most difficult questions facing us in the present situation. Not only do we live with uncertainty about

the nature of the wars we might be called upon to fight; there is even greater uncertainty about their duration. In the circumstances, our currently planned war reserve procurement program (which would provide a large stock of modern munitions by FY 1987, coupled with existing inventories of older and less effective items) entails what we judge to be an acceptable level of risk. In addition, we need to refurbish our options for rapid and complete or graduated mobilization of our resources.

Finally, we are encountering problems in satisfying our personnel needs. Our active-duty personnel are only slightly below the strength authorized by the Congress, and the overall quality of the people entering the Services compares favorably with our intake from the draft prior to Vietnam. But in 1979, for the first time since the advent of the All-Volunteer Force (AVF), all the Services fell short of their recruiting goals; and we are now encountering increased difficulty retaining personnel in areas of skill where the private sector of the economy also has a strong interest. However, we have made progress in recruiting for the Reserve Component, and Individual Ready Reserve (IRR) strengths are increasing.

Peacetime conscription is by no means an obvious solution to our current personnel problems. These problems have more to do with the retention of skilled and experienced personnel who already have six to twelve years of service, than with recruits. We need, accordingly, to expand current efforts to improve our

recruiting and retention performance. Our principal approach is to devote significant additional resources to first-term reenlistment bonuses. This is a relatively efficient way of improving enlisted retention; it significantly decreases requirements for both new accessions and career reenlistments. In addition, the budget reflects legislation that provides for a larger military pay increase (7.4 percent) than we have programmed for federal civilian employment (6.2 percent). Military retirement reform, which has been submitted, would provide career officer and enlisted personnel with new cash payments after ten years of service. The budget also includes additional funds for travel and transportation reimbursements and enlistment bonuses which, together with these other initiatives, complement non-compensation efforts to increase the supply of and reduce the demand for scarce personnel resources. Finally, we need continually to review whether military pay is competitive with wages for civilian employment alternatives, and whether the benefits are appropriate to the special circumstances of military service.

VIII. CONCLUSIONS

This, in sum, is the course we are determined to take. In line with our basic priorities and plans, we will continue to use four broad instruments of national security policy. They are:

- sustained real increases in defense spending;
- carefully planned force programs that make the best use of the added defense resources and the special national advantages we have;

- closer cooperation and coordination with allies and other friends; and
- arms control agreements that complement our defense programs.

Over the last three years, we have applied these instruments in an orderly attack on the main defense problems at hand. In our first year, we placed the full weight of our efforts behind the most pressing need: improving our early conventional combat capability in NATO. The Long-Term Defense Program (LTDP) was launched in cooperation with our NATO Allies and the first fruits of strengthened allied cooperation already are in view. With the NATO programs in train, we next turned to the problem of modernizing our strategic TRIAD. Programs to strengthen each leg--including MX, TRIDENT, and cruise missiles--are now well underway. In Asia, we have stabilized the level and begun to improve the quality of our forces in the region. Most recently, we have taken steps to modernize our theater nuclear forces in Europe. The necessary programs--PERSHING II and GLCM--have been launched and our allies have joined us in a commitment to follow through on theater nuclear modernization.

Thus, programs in each of these areas are underway and have momentum. We can now concentrate special attention and resources on improving our capabilities to deal with threats and crises around the world and, in particular, on improving our ability to get men and equipment to potential areas of conflict as quickly as necessary.

The Administration has taken great care to develop the current program so that it is calibrated to the problems ahead of us. Carrying out this program fully and completely--not just this year, but in the years to come--is a matter of fundamental importance to the security of the nation: the most elemental and important of all our responsibilities. Therefore, should our assumptions as to future inflation, on which the program is based, later prove to have been too low, the Administration will take appropriate action to preserve the integrity of the program. Indeed, it is because of a re-estimate of inflation rates for FY 1980 and FY 1981 that the FY 1981 budget figure contained in this report is higher than the one I gave in the preview presented to the Congress in December, 1979. We will also consider submitting supplemental requests as necessary to assure a program of equivalent capability after Congressional authorization and appropriation actions have taken place. We mean to see that this program is carried out.

Critical turning points in the histories of nations are difficult to recognize at the time. Usually, they become clear only in retrospect. Nonetheless, the United States may well be at such a turning point today. We face a decision that we have been deferring for too long; we can defer it no longer. We must decide now whether we intend to remain the strongest nation in the world. The alternative is to let ourselves slip into inferiority, into a position of weakness in a harsh world

where principles unsupported by power are victimized, and to become a nation with more of a past than a future. I reject that alternative, and I know that the Congress does as well.

Our new defense program is testimony enough of where this Administration believes we should be headed. This nation must remain the strongest in the world. That, I believe, is the consensus of the country, and of the Congress. In keeping with the times and this spirit, we have submitted a program that the President and I believe to be right and necessary for the security of our country.